



The Railways and the Government

ADDRESS BY
HOWARD ELLIOTT

At the Annual Dinner of the
Railway Business Association

December 11, 1913

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HOWARD ELLIOTT

Chairman of the New England Lines

Delivered at the Fifth Annual Dinner of the Railway Business Association, the national association of manufacturers of railway materials, equipment and supplies, at the Waldorf-Astoria Hotel, New York, December 11, 1913

This is a gathering of representative men who contribute much to the industrial activity and prosperity of the nation. The opportunity of speaking to you was accepted with hesitation, not only because it gives me a chance to meet many old friends and make, I hope, some new ones, and also because gatherings like this help us to appreciate our mutual interests. It is well to talk over those problems which the remarkable social and industrial evolution of the nation has placed upon the business men, who are anxious that this country shall progress, and I believe that the social and intellectual advancement of the people depends upon reasonable success in all lines of industry—a class of men who are as high-minded and patriotic, and as great believers in the United States and its future as any class of men in the country.

INDUSTRIAL INTERDEPENDENCE

The rapid increase in the country's population, accompanied, as it has been, by a racial mingling unprecedented in history, has produced new economic conditions and has brought

to the fore new problems and new theories of the relation of the government and the citizen in his business. The application of the principle of increasing government supervision of business emphasized more than ever before the interdependence of all industry.

The industries which you and I represent are very closely related. Lack of sustenance and stagnation in one affects the others. If the railways of this country are to be maintained and operated as they should be, increasing their facilities to meet the increased demand of the growing business of the nation, then they must be supplied with materials, and this benefits the many industries which you represent. These purchases of the railway stimulate the activities of the whole country (applause). On the other hand, any curtailment in the purchasing power of the railway will have a withering effect on many industries and retard the prosperity of some which have been leading factors in the commercial growth and expansion of the nation.

RAILWAY GROWTH

The growth of the railways in the United States is without a parallel in any other nation. In their present form these railways have been constructed practically within the last fifty years. The total operating revenues of railways earning \$1,000,000 or more for the fiscal year ending June 30th, 1913, were \$3,057,089,811, of which \$2,134,563,789 came from transportation of freight and \$678,440,089 from carrying passengers. In the same year these railways paid out for expenses \$2,118,529,173, of which \$407,156,008 was for maintenance of way and structures, \$501,663,582 for maintenance of equipment, \$1,074,914,428 for the actual expenses of transportation, and \$134,795,155 for administration and traffic expenses. The net operating revenues of the railways of the country in the last fiscal year amounted to \$938,560,638, out of which was paid in taxes \$123,682,118.

The railways east of the Mississippi, and north of the Ohio and Potomac Rivers in the same year did a business of \$1,386,073,429, of which \$992,403,390 was from freight, and \$293,234,927 from passengers carried. For the three items which make up between 90 and 95% of the expense of operation, maintenance of equipment, maintenance of roadbed, bridges, etc., and transportation, these roads spent in 1913 \$246,727,105 for maintenance of equipment; \$180,273,335 for maintenance of tracks, bridges, etc., and \$502,734,000 for transportation.

THE RAILWAY PAYROLL

Everyone admits now that the transportation question in this country is a very vital one, and these few figures are given to emphasize its importance. And the importance to the general welfare is not alone in the service rendered by transporting man and his property, but also because the

railway is a great paymaster. The railway payroll is one of the greatest payrolls in the country; more than 1,700,000 employees, receiving wages and salaries last year nearly \$1,250,000,000. Adding the families of those employees, there are nearly 7,000,000 people, about 7½% of the total population, supported by the payroll. Think of what this means to the communities in which the railway employees live, to the tradesmen to whom their earnings go for food and clothing! Think of the effect upon the business interests of the country generally of the distribution of this sum of money, passing through the hands of this multitude of purchasers into the channels of trade. It would be difficult to find a person in this country who is not, in one way or another, benefited by this employment of labor. The railway employee is an important factor in his community, and there is no better proof of the theory that the prosperity of a railroad and the section it covers are interdependent than that furnished by the part the railway employees' purchases play in helping business.

Out of \$2,750,667,435 which the railways earned in 1910, \$1,143,723,306, or 41.58% were distributed in wages and salaries; in 1911, out of \$2,789,761,669, \$1,208,466,470, or 43.32%, and in 1912, out of \$2,820,917,967, \$1,243,113,172, or 43.97%. And each year this wage distribution has been taking a larger proportion of the railway dollar. Between 1910 and 1911 there was an increase of 5.66% in the payroll and only 1.42% in the operating revenues. Between 1911 and 1912, the increase in the payroll was 2.87%, and in operating revenues 1.33%. There are no very complete statistics of the amount of material purchased by the railway, but it is very large, many hundreds of millions of dollars.

Obviously, as an abstract proposition, because of its effect on general business activities and upon the welfare and happiness of so many people, everybody must want this great payroll maintained, and want the railways to go on spending money. Curtailment of the railway purchasing power, or a diminution of its payroll, could be felt in millions of homes. Continued improvement of the railway will stimulate trade, give a general steadiness to business, and minimize depression. The money the railways would spend in expanding their facilities as they should be extended, to keep pace with the growth of business in the country, would percolate into every conceivable artery of trade. Can it be doubted that this would impart that wholesome stimulus to business that is so anxiously awaited at the present time?

To a large extent the railway is simply a collecting and distributing agency of the sums, small in units but large in the aggregate, that the public pays for the service it performs. The railway owner retains for himself what, compared with many forms of other business, is a relatively small return on the value of the railway plant. If there is to be a halt in railway activity, if the railways of the country are to be forced, by the conditions imposed upon them, to abandon all new construction and restrict their outlay to the absolute necessities of maintenance and operation, what will be the result? Will there not follow a corresponding contraction, especially in those industries, many of them very large, which the railroad helps to support, and be imparted by them, in turn, through still other trade channels until the adverse influence is felt throughout the entire business life of the country. For example: The railways purchase a very large proportion of all the iron and steel made in this country. Thus their prosperity is very closely interwoven with the prosperity of the

great metal industry of the country, and upon this industry enforced economies and the suspension of construction by the railways will have a most serious effect.

RAILWAY EARNINGS

There is indisputable evidence that that expansion of our railways which has contributed so much to the country's prosperity has, by reason of the conditions now imposed upon them, reached a point of practical suspension. There is hardly any new construction being undertaken, and improvements are being postponed wherever practicable, because of lack of funds. This is due, in part, to the great increase in the cost of labor and materials, in part to the elaborate and luxurious facilities which the people demand, and in part to the rise in the rates of interest, all of which is reflected in the loss in net earnings shown by recent statements of the railways; and this despite an increase in gross earnings maintained until very recently, though there are signs today of a falling off even in gross. In the case of the Eastern roads, the gross earnings increased \$187,000,000 from 1910 to 1913, while operating expenses and taxes increased \$201,000,000, the increase in tax payments alone amounting, in those three years, to \$11,590,000. There was an actual decrease in the net operating income of these roads of \$16,311,000. In 1913, these railways earned in gross \$1,424,000,000. Their net operating income was \$336,754,000, and after payment of interest on funded debt and other obligatory charges, there was left \$206,600,000. The dividends paid out of this amounted to \$130,000,000, which was 5.10% on the capital stock outstanding. This was \$19,000,000 less than the dividends paid in 1912 and \$7,000,000 less than the dividends paid in 1910.

In the Central Freight Association territory, a group of twenty-eight

roads, having 23,167 miles of road, or 51.5% of the entire mileage in the territory, roads like the Big Four, Vandalia, Wabash, Chicago and Alton, and Illinois Central, in the year ending June 30, 1913, earned \$63,000,000 more than in the panic year of 1908, but their operating expenses and taxes were \$62,000,000 more, and after paying expenses and taxes, their net operating revenues were only \$811,000 more than in 1908, and their net corporate income was actually \$8,000,000 less, although in these five years \$180,000,000 of new capital had been invested in these properties.

The reduction in net is shown very strikingly in the statements of the New York Central, the Pennsylvania, and the New Haven for the first four months of the present fiscal year. In this period, the New York Central Lines showed an increase in gross earnings of \$4,339,442, as compared with the same period of 1912, but as a result of increased expenses there was a decrease in the net earnings of \$7,614,542. The Pennsylvania, for the same period, showed an increase in gross earnings of \$5,100,192, but a decrease in net earnings of \$4,367,795, while the New Haven, including all transportation lines in which it is interested, showed a decrease of \$790,379.12 in the gross, and \$4,020,311.51 in net operating revenue, and of \$4,934,725.01 in net corporate income, after allowing for all fixed charges of every kind.

THE RAILWAY PROBLEM

I think that all candid and thoughtful persons will admit that the situation as reflected here is a serious one, not only as affecting the railways themselves, but the entire business of this country. Indeed, with railway credit impaired, it would seem difficult for the railways to extricate themselves from the present situation unless a change occurs in public sentiment

and in the treatment they receive from the people, as expressed through their various governmental agencies. Undoubtedly, various causes have contributed to bring this situation about. Some of these have been economic and some social, and the railway has suffered from both, perhaps, more than any other industry in that the price of its service is no longer within its own control, and the same may be said of its gross payroll.

Is it not incumbent upon thoughtful men who wish to see the country continue to prosper to stop and ask themselves what can be done in this emergency? Is this trouble a socialistic one, due to new currents of thought and feeling in the minds of a majority of our citizens, fostered possibly by ideas of government brought here by many of our new citizens from the Old World, who influence many others with whom they come in contact? And if the trouble is socialistic, does it not behoove every citizen who does not believe in this kind of doctrine to be applied to business to speak out?

PRESENT TENDENCIES

Many of us have hazy ideas about socialism, but the principle underlying the proposed socialistic state as expressed by many socialists, that from every one shall be expected according to his ability, and that every one shall be given in accordance with his needs. The socialistic ideal thus expressed, is that every man shall do his utmost, but that he is not to be paid in proportion to the amount of work that he does, or in proportion to its value, but, on the contrary, he is to be paid in accordance with his needs. The tendency of the people of the United States, however, seems to be not to extend to the railways even that treatment which is expressed by this socialistic ideal (applause). Under that id

the railways would be expected to do all that they can, and would be allowed to receive all that they need, but is it not true today that the railways are expected to do more than they can, and, at the same time, are not permitted to receive what they need?

THE HUMAN FACTOR

For example, first and foremost, the railways are expected to run their trains without causing injuries or deaths that would be avoidable by all ordinary human precaution. Yet distinction is seldom made between the need for care and caution on the part of the public and the need for care and caution on the part of those entrusted with railway operation (applause). A very large number of injuries and half the deaths charged against the railways are of trespassers on railway property. If people will not keep off railway property the law should compel them to do so (applause). Yet, although the railway companies have time and again urged legislatures to pass laws against trespassing, only two or three state legislatures have responded. In other words, more is expected of the railways in diminishing the number of casualties and fatalities than they can do, and there is not given them that protection which they need and which the people need (applause). Wrecks and accidents are sometimes due to the delinquency of those charged with the management and operation of a railway, and it is only right that the managing officers of a railway should be held directly accountable for defects in administration and carelessness in directing operation. But there is another side, and if the officers are to be held responsible for the administration and discipline the employees of a railway should be held responsible for submission to proper discipline and should not consider their allegiance to

their brotherhoods above their allegiance to the company which employs them (great applause), or their duty to the public who supply the money for their wages. The Interstate Commerce Commission has pointed out that one of the most disturbing causes of accidents is the carelessness of the railway employees. Under these conditions, quite generally acquiesced in by the public and the press, the people make it difficult for the railway managers to preserve the discipline that the hazardous business of train operation demands, and are asking almost more than the railways can do (applause). If the railways are quasi-public servants, their employees are also quasi-public servants, and the people should hold the man as well as the master to his responsibility (applause). By not demanding this responsibility, the people are not according to the railways that which they need and that which the people need.

IMPROVEMENTS

While the railways should be held directly to account for maintaining roadbed, track, and other facilities in proper condition, the fact should not be lost sight of that safety in operation, as the people look upon it today, means equipment of steel or steel underframe in the passenger service, and other heavy expenditures in consequence. To demand that such improvements be made within any short period of time, in advance of the ability of the railways to pay for them, is to demand of the railways more than they can accomplish. And to hold them down, and so to impair their credit that they cannot obtain funds for such improvements is certainly not to accord to them that which they need (applause). Again, in insisting that they serve the end of efficiency from the standpoint of economical operation, and, at the same

time, meet the requirements for fast and frequent service, the people demand of the railways more than they can do. If they desire such service without allowing the railways the compensation that justifies it, they are not according the railways what they need.

In this respect, the railways of Europe are treated better than ours, because there the justice of charging a higher rate for a fast freight service has been recognized. In Europe, as in this country, there are generally three kinds of service, express freight on passenger trains, expedited or fast freight, and ordinary, or low-speed freight. But, while in this country no distinction is made between the fast and slow freight in the matter of compensation, in Europe a higher rate is permitted in the case of "accelerated freight." Such a charge, if permitted here, would increase earnings and help the railroads to make improvements now badly needed and yet would not impose an undue burden upon the public (applause).

COMPETITION VERSUS COMBINATION

There is another respect in which the people of this country are dealing at cross purposes with the railways, and this is a question of transcendent importance, not only in the field of transportation, but throughout industry and commerce. This is a question of competition versus combination. The New Haven road is a consolidation of 189 companies—the Boston and Maine and Maine Central of 200 companies. Before the consolidation of these lines, when it was desired to move a carload of freight from one end of New England to another, separate arrangements had to be made and varying instructions issued for each railway and endless bargaining and

higgling over rates and schedules, as well as the expense of many separate organizations. In this combination of separate railways in one organization, there is the possibility of efficiency, under proper management, both from the standpoint of economical operation of the railways and from the public's standpoint of improved service. Because of practices incident to the great construction period of American development and not confined to railways, the people created the Interstate Commerce Commission which has pretty effectually not only restrained competition, but stifled it so far as rates are concerned. As the Commission has the power to prevent the railroads from charging unreasonable rates and to prevent unjust discrimination, it is a grave question whether it is not an economical error to object to combinations of railways which, under suitable management, can be made to serve the ends of efficiency by more economical operation and better service (applause). Here again we find an inconsistency on the part of the people, who insist that the railways shall practise the greatest economy and efficiency in operation but who, at the same time, object to principles that will further such economy. If the railways are not supported by the people they cannot render service to the people. The very expression "The Railroads are for the People" indicates a distinction, a separation of interests, that the prosperity or the adversity of the railways is a matter of indifference to the people, and vice versa. Such a feeling occasionally finds expression in such an utterance as was made recently in the New Orleans Picayune which editorially called upon the voters to oppose any candidate who was not "fully competent and willing to place the peoples' interests above those of the railroads and transportation lines under all circumstances," when, as a matter of fact,

their interests are identical. One reason, I believe, for this attitude, is that our people do not realize that railroading is business just as much as rail making or producing paint is business, and that railways are as much a part of every-day life as any other business.

MULTIPLICITY OF LAWS

There are state legislatures which pass laws concerning the railways within their state and the laws of one state sometimes conflict with those of another, and sometimes with those of the national government. The effect of this multiform and heterogeneous regulation is to compel the railroads to serve forty-nine masters, although the impossibility of serving even two masters has been crystalized in a proverb (applause). The effect of this multiplicity of laws also has been to undermine the confidence of investors, whose money is needed for the extension and the improvement of the railroads. It has been estimated that nearly one billion dollars will be required within the next year to improve the railways so that they may meet the demands of growing business and safer and more luxurious service. How can this money be raised? How can this condition be remedied? Must it not come from co-operation of the people with the railways and from the conviction in the public mind that railways are rendering to the people not only an essential but a vital service?

GOVERNMENTAL EFFICIENCY

If the people, by reason of new tendencies of thought, are exacting more of the railways and allowing them less return for service rendered, are the people following the same rule with respect to the great machine of government which they themselves have created, and in whose management they have a potent voice? There has been criticism of lack of efficiency in railway administration, and some of

it is just, because railway officers and men are human and imperfect, but as a class they are doing better year by year. As a class they are high-minded, patriotic gentlemen, dealing with a problem that at times is very discouraging. They believe in frank and honorable business methods. They are doing the very best they can and they should receive help and commendation from the public instead of hindrance and hostile criticism (great applause). Does the Government set any better example to the business men or to the youth of this country of the necessity of hard, efficient and high-minded work? (applause). In 1896 there were in the Executive Civil Service, excluding employees in the Congress, the Judiciary and enlisted men and officers of the Army and Navy, 178,717 persons, and in 1910, 355,635, an increase of 100 per cent. in 14 years. While the population of the country has increased, it has not increased 100 per cent., and is the Government doing the careful, efficient work the taxpayer has a right to demand? (great applause.) If the Government, with all its power, has been unable to resist the demands for greater elaborateness and more employees, can it be expected that the railways can escape these same forces? (Applause, and cries of "No, no.") Again, does the Government exemplify in its own dealings with others the principles of justice and business morality which the people, through this same agency, exact from those subservient to it?

STANDARDS OF CONDUCT

There has been a gradual and desirable change in the standards of business in the past twenty years, and particularly in the past ten. Practices that a few years ago were considered proper in financial, commercial, manufacturing, and transportation business are contrary to the ideas of the public today.

In this business uplift, I think the great railway systems of the country, taken as a whole, are in the front rank in trying to do their work on a high plane and in trying to observe the complicated laws of the land (applause). And the larger and more complicated the business, the more rigid is the carrying out of the maxim that "Honesty is the best policy" (applause).

Some people are still ready to ask for the rebate, the pass, and the special privilege. Because of some glaring failures here and there the press and the public sometimes are too prone to condemn all. But every man in modern industrial business life knows how insistent the majority of men charged with the responsibility of management is for honesty, good morals, industry, and avoidance of sharp practice, and of trying to get something for nothing (applause).

The moral effect of this policy on the young man in business must be good, because whether he likes it or not, he must behave or be thrown into the discard. What kind of an example does the United States Government set before the youth of the land in its treatment of the great transportation lines? The Government should surely be as scrupulously honest and high-minded in dealing with the railways as it expects the railways to be in dealing with the people, but is it? (Applause.)

RAILWAY MAIL PAY

Look at the mail and parcels post situation for a moment. The Government pays the railways for transporting the mail on the basis of weights obtained in the autumn of 1912 for four years beginning July 1, 1913, although there is always some increase in weight each year. In January, 1913, the Parcels Post began with a weight limit of 11 pounds, then increased it to 20, and it is now, in some cases, to be 50 pounds. The

Parcels Post takes business away from the express business of the railway and reduces earnings in that way but the Government pays nothing for the extra weight carried, as the weighing was before the Parcels Post began. So for four years the railway must carry the increasing weight of the ordinary mail and the rapidly growing Parcels Post freight for nothing, unless the Government takes steps to pay for service already performed and to be performed, which so far, it seems disinclined to do (applause).

On the New Haven Road, which right now needs all the help it can get (laughter and applause), a careful computation made by chartered accountants showed that the company was performing service costing \$743,000 a year more than it received and what is true of the New Haven is true of many other roads. Yet there is little criticism of the action of the Government, although it is taking large sums of money away from the railroads (applause). Do you remember all the outcry there was, and justly so, when it was found some years ago that an importer in Brooklyn was defrauding the Government through false weights? (Laughter and applause.)

The *New York Times*, in an editorial in October, 1913, said:

"Every receiver of a postal parcel carried at the cost of the railway whose services are not paid for is a receiver of stolen goods." (Laughter and applause.)

The *Chicago Inter-Ocean*, in commenting on this, said:

"Any man who, merely because he has the power, compels another to give him unpaid service, is a robber (great applause). He has taken from the other his time, his strength or his property in some form, without making due compensation. If ten men thus combine to rob eight, the morality remains. Because sever-

millions have combined 'through Government' thus to rob their fellow citizens who happen to own railroads, the wrong of it is not made right."

SERVICE WITHOUT PAY

This is strong language, but is it not true?

Here are the railways, struggling to make both ends meet, and the Government takes service from them worth, exclusive of the parcels post, at least \$15,000,000 per year, and no pay. What kind of an example is this for the great United States Government to set to the younger men of the country? (Laughter and applause.)

The whole theory of modern railway regulation is to secure honesty of operation and fairness of treatment on the part of the railway toward all classes of the public. Does it not, therefore, behoove the Government in all of its relations with the transportation companies, to treat them with most scrupulous regard to the dictates of honesty and fairness? Treatment by the Government, however, of the question of compensating the railways for carrying the people's mails suggests a lack of full appreciation of this converse proposition by some of our highest governmental authorities. While not a single definite and practical step has been taken with a view of compensating the railways for carrying the additional weight of the mail for the period of the first six months of the parcels post, the Postmaster General was empowered, after July first, to add not exceeding five per cent. to the pay of the railways. But on August 15th, the Postmaster General increased the weight limit from eleven to twenty pounds, and the Interstate Commerce Commission, only last week, gave its approval to his recommendation of a further increase to 50 pounds. No arrangements were made, however,

and no arrangements have as yet been made, to compensate the roads for this additional weight. Is it any wonder that the Parcels Post, under such conditions, has been eminently successful? (Laughter and applause.) And is it any wonder that some advocates of Government ownership have seized upon its success as an argument for other theories, particularly with respect to its efficiency and economy? (Laughter and applause.)

The Supreme Court has ruled that the railways are not compelled to carry the mails, but that if they do carry them it must be under the rules laid down by the Postmaster General. Any thinking man will realize that they could not seriously consider refusing to carry the mails. If the law compelled them to carry the mails under rates fixed by Congress which were not compensatory, they would have some standing before the courts, but under the law as it stands they must make now a contract with the Post Office Department upon terms dictated by that Department, and can only appeal to Public Opinion for a redress.

THE RAILWAY FACTOR

The more men of fair and unbiased minds study the economic situation in this country, affected as it undoubtedly is, by some of these experiments of Government, the more are they impressed with the importance of the railway situation as a factor. Sir George Paish, eminent in the field of finance and economics, commenting on the country's condition, after a long trip of observation, said recently:

"In considering the economic outlook of the United States in the immediate future, it is evident that the factor of most immediate importance is the application of the railways of the Eastern States to the Interstate Commerce Commission for an advance in rates. The difficulty experi-

enced by the railways in raising capital has already caused many of them to reduce their new capital expenditures, and this reduction in a large measure accounts for the reaction in the iron and equipment trades that is now observable. If the difficulties of raising new capital become still greater, then it is obvious that the railway companies would practically stop improvement works and a serious setback in trade would result. If, however, the railways succeed in funding the large amount of notes which fall due in the current year, and in raising the new capital they require to expend on works of improvement and on new equipment, then the reaction in trade, due to international conditions and other influences would, in my judgment, be comparatively small. Thus the action of the Interstate Commerce Commission in altering or disallowing the railways of the East to advance their rates by five per cent. will have important economic consequences."

RAILWAY IMPROVEMENT NECESSARY

With all our troubles, however, I still feel that we will come out all right, but—and this a great big *but*—care must be taken in working out these problems, and the public must be told the truth, or harm will be done that will take years to cure, and the best results will be delayed. It is foolish, in this country, to admit that all railway improvement must be given up. These things must go on; public opinion will not tolerate a deterioration of the railways. It will insist upon their being able to furnish the service required by growing business and by the very logic of the situation the public will provide the means for them so to do. But it is most important not to delay too long.

HOPEFUL SIGNS

There are some rifts in the clouds. Signs indeed are multiplying of a readjustment of ideas in the public mind, which ought to find a reflection in the attitude of governmental agencies. The miasma which has arisen from the misrepresentation of the past is disappearing, and the public mind is clearing in consequence. That a constructive rather than a destructive sentiment is growing is apparent. This drift in public sentiment is clearly beginning to make itself felt, as shown in some recent expressions of a friendly nature coming from those in Government offices. Such, for example, was the statement made only a short time before his death by Interstate Commerce Commissioner Marble: "We are seeking to bring about a condition that will be fair and equitable and that will make the railroads successful under present ownership." (Applause.) In the newspapers this drift is finding expression in a rebuke of continued criticism and intemperate denunciation of former practices, and a general realization that such a course can only produce widespread business atrophy.

CURING THE PATIENT

National need of terminal and other railway facilities having been thoroughly impressed upon the public mind, shippers and editors generally convinced that larger net railway returns should be permitted, what are the reasons and perplexities which prevent the people from giving effect to a policy that will cure the trouble, making it unanimous? Even if there is only a vigorous minority opposed to such policy, candid consideration of their objections is due them.

It is claimed that the management of some roads has not been honest—that insiders have profited when they should not. The morals of all kinds of business have improved year by

ear, and things have been done in railway and other business in the development of the country that were probably not right then and that certainly are frowned upon now by law and public opinion. Such things might never to have been done. Owners of railways should root out dishonesty if it exists, and if they will not, public authority will do it. But is there anything in the situation that warrants calling a halt on the development of the continent? (Applause.) Every time a clergyman, a doctor, a senator, or a cashier is punished, are we forthwith to abolish all clergymen, all doctors, all senators, and all cashiers, while we unfrock that particular clergyman, convict that particular doctor, expel that particular senator, and jail that particular cashier?

RAILWAY SECURITIES

Others say that some railways are over-capitalized. Whether they are or not, and certainly American roads have led the world in refraining from any more capitalization ought to be treated than is necessary in order to serve the public. If too much was issued by some roads in the past, this is to be regretted, but no workable method has been suggested by which securities issued legally and bought in good faith can be taken from their owners without failures and receiver-ships that harm many more people than the owners of the securities. (Applause.) As for the future, every railway of importance runs through one or more states which regulate security issues. And apart from that, those responsible for railway management realize, as they never did before, the absolute necessity of sound business principles in issuing securities, with or without law. The present problem is not to restrict the issues of securities but to find people willing to buy them. (Laughter and applause.) Another says that if securities were sold over the counter the bankers'

commission would be saved. Perhaps, some day, if confidence can be restored, part of such commissions might be saved, but a railroad must have financial experts, as well as engineering experts, and pay a fair price for services rendered. If the commissions can be saved, they ought to be. But not even city, state and federal governments, whose credit is based on the taxing power, have been able at all times to float even moderately large popular loans without the aid of bankers. (Applause.)

Others object because they say the new revenue would go to increased dividends. So some of it would and must. The dividend which a stockholder receives is not all that he would like or that his managers want to pay, but is an amount needed to induce him and others to buy more stock or bonds when an enlarged plant is necessary in order to meet the desires and absolute necessities of the public.

EFFECT OF ECONOMIES

It is said that the increased income needed could be had by economies. It is true that economies have been introduced, and there is room for more of them. Railroad managers, as a whole, are pushing hard every day to improve men, methods, and facilities. Many economies, however, can only be adopted by throwing away old appliances and buying new ones, which is the case in mills and factories as well as in railroads. And if the railroads have no money with which to get the new tools, they must do the best they can with the old ones. No effort in this direction should be neglected, and no other industry is, or in the nature of things can be, so thoroughly organized nation-wide as the railways to co-operate in studying, experimenting, and standardizing their progress. But, in view of the wonderful savings already accomplished, both major and minor, in the past few

years, and in spite of the larger percentages of gross earnings absorbed by expenses and taxes, it is doubtful if the people should depend on such measures to offset the apparently irresistible rise in wages and in the price of materials, the higher cost of capital, and the demands for more elaborate facilities and luxurious service.

Are any of these obstacles sufficiently important to delay such revision of rate schedules as will meet this anomalous situation of increasing gross earnings, but declining net earnings, and still more rapidly declining net corporate income after payment of fixed charges?

The railway managers of the country want to know where to improve. They welcome just criticism based on a real knowledge of all the actual *facts*. It is their purpose to profit by it. To serve the public adequately, on the other hand, is also their purpose, and it is their duty to seek diligently from the appropriate authorities the sanction and help necessary if the railway is to do what the people want and must have if the country is to grow. So it would seem as if it was to the interest of the people to be patient with a railway which has practically no control over the price of what it has to sell—transportation—and very little control over the price of labor needed to produce that transportation.

New England is a great educational and financial force. She has sent her sons all over the country to help do the work needed. In the last edition of "Who's Who in America" twenty per cent. of the names are those of men born in New England. Anything that affects adversely the credit and

social welfare of New England will in turn affect the whole country. Her welfare and the welfare of her railways are important to the entire country. These six New England States have one-fourteenth of the national population and have one-twelfth of the national wealth. They consume one-eighth of the materials of manufacture and they have one-sixth of the bank deposits. For the New England Lines, that I represent, I ask the patient good-will of her people and of the nation, while her peculiar and difficult transportation problems are being solved. (Great applause.)

I don't think I ever sat in a Board that felt so badly as the New Haven Board did yesterday when the figures forced them to make the decision that took away a dividend, coming at Christmas time, from thousands and thousands of people. (Applause.) But they had the courage to take that position because they felt in the long run it would be better for the property, better for New England, and better for the stockholders themselves. (A VOICE: Good, good!)

The business men of the country who benefit from the accumulated savings of New England, from her large purchases from other parts of the country, from her great and continuous contributions to the national welfare in sending out trained men and women, should at this time of storm and stress help the situation in every reasonable way. It is to your interest to do it and as patriotic citizens interested in the welfare of the whole country I ask you most earnestly to help. (Great outburst of applause and prolonged cheering, Mr. Elliott rising and bowing.)